

## Data Sheet

<b>USAID Mission:</b>	Kazakhstan
<b>Program Title:</b>	Energy and Water
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	115-0161
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$900,000 FSA
<b>Prior Year Unobligated:</b>	\$252,000 FSA
<b>Proposed FY 2006 Obligation:</b>	\$872,000 FSA
<b>Year of Initial Obligation:</b>	2001
<b>Estimated Year of Final Obligation:</b>	2007

**Summary:** USAID's energy and water program is helping Kazakhstan improve economic policy and governance, increase private sector growth, and expand and improve access to economic and social infrastructure. The Clean Energy and Water for Poor Presidential Initiatives are supported via activities noted below.

### Inputs, Outputs, Activities:

**FY 2005 Program:** Improve Economic Policy and Governance (\$650,000 FSA, \$100,000 FSA carryover). A significant recent development in the regional electric power sector is the Government of Kazakhstan's (GOK) interest in making investments in the hydropower infrastructure of neighboring Kyrgyzstan in order to offset projected energy shortages in southern Kazakhstan. The shortage is due to projections that indicate significant long-term growth in the Kazakh economy and an associated increase in energy demands. In fact, the progress that Kazakhstan is making in the commercialization of its energy markets will have a major impact on the entire Central Asian Region in how electricity is produced, transmitted, purchased, and sold. With these changes, greater commercial pressure will be exerted on managing water resources for hydropower, rather than for irrigation use. This will change the way that water is released from reservoirs in the region to downstream countries like Kazakhstan, impacting agricultural production. USAID will assist the GOK in regional energy trading by supporting the institutions that will implement trade agreements and negotiate regional agreements based on international standards. Principal contractor/grantee: TBD (prime).

Increase Private Sector Growth (\$250,000 FSA, \$152,000 FSA carryover). A Development Credit Authority (DCA) program in the energy sector was recently initiated by USAID. The program will provide partially guaranteed loans to private firms or other entities to implement energy savings measures. In addition to loan guarantees, FY 2005 funding will support technical assistance to potential borrowers for preparation of the documentation required by the lending institution. The lending institution will also benefit from USAID assistance by improving its capacity to evaluate the viability of loan proposals for energy efficiency projects. An outreach component will be aimed at banks, industry, and other potential participants to further expand private sector investment in energy conservation in Kazakhstan. USAID will also explore other Global Development Alliance (GDA) and DCA opportunities. Principal contractors/grantees: PA Consulting (prime), TBD (prime).

**FY 2006 Program:** Improve Economic Policy and Governance (\$872,000 FSA). Through a program for regional cooperation in energy and water, USAID will continue to work with Kazakhstan authorities on bilateral and multilateral agreements that support the development of regional energy markets and water-sharing. This may include activities related to energy efficiency and participation in the Central Asia Cooperation Organization's Water and Energy Consortium. Principal contractor/grantee: TBD (prime).

**Performance and Results:** USAID assistance in the energy sector in the areas of policy, transparency and private sector investment was made more effective by the commitment of the Government to further the process of market-based reforms. For example, USAID technical assistance on electricity retail market issues contributed to the adoption of the Government's protocol, Concept of Further

Development of Market Relations in the Electric Power Sector of the Republic of Kazakhstan. President Nazarbayev signed a new electricity law based on these progressive concepts. The law promotes market relations in the electricity wholesale and distribution sectors. Another example is the result of USAID-sponsored public hearings that were held in the city of Kokshetau. The Agency for Regulation of Natural Monopolies (ARNM) in Akmola Region conducted public hearings to discuss the Regional Electric Company's mid-term tariff application. These hearings were conducted in compliance with public hearing rules stipulated by the ARNM. The hearings followed recommendations made by USAID consultants, and the energy policy proposed by USAID was adopted and implemented. The hearing contributed to greater transparency in setting tariffs and deeper understanding of energy sector issues by the public, an important step forward for Kazakhstan and the fight against corruption by public officials. It is expected that this practice will be accepted throughout the country.

USAID created a DCA program providing a loan portfolio guarantee for energy efficiency projects with a local, privately-owned bank, leveraging \$754,500 from USAID for a total of \$15 million in loans funds. In the first two months of the program, applications have been received for consideration of approximately \$5 million worth of loans.

Ongoing water sector initiatives in Kazakhstan are focused on facilitating increased regional collaboration. USAID recently installed a unified communications network, utilizing meteorburst technology, to enable the rapid distribution of critical, real-time weather and water resource information among participating countries in the region. Kazakhstan officials earlier agreed to allow the master station for the regional network on their territory even though it meant budget resources will be required for its operation and maintenance. The GOK has committed to these costs and it is now included in the annual budget. An important step was taken this year when representatives of the National Weather Services in Central Asia signed an agreement to share all data that is collected, processed, and communicated with equipment provided by USAID.

In late FY 2004, USAID initiated a limited program of support for Water User Associations (WUAs) in the heavily irrigated region of southern Kazakhstan. The program will provide training to WUA staff on how to operate as a democratic non-governmental organization (NGO) that uses open and transparent business practices, as well as technical training on improved water management. Additionally, USAID is supporting a collaborative project with the Israeli development assistance agency, MASHAV. Located in the Aral Sea wetlands region, the project is focused on improving fisheries and agriculture, the two primary occupations of inhabitants of the Syr Darya Delta Region. In FY 2004, MASHAV and USAID co-funded improvements to a fish processing facility through a local NGO made up of fishermen. This is the largest self-sustaining NGO in Kazakhstan and the facility will help it maintain the quality of its fish catch, most of which is marketed outside the region.

By program completion, demonstration models will achieve significant savings from improved heating efficiency and provide examples of oilfield clean-up. Additionally, specialists will be trained to effectively utilize and replicate these models. Different entities will take advantage of DCA loan availability to make investments in energy efficiency upgrades. An improved system of collecting, analyzing, and transmitting water data will be fully implemented. A greater number of WUAs will be in place and operating in a more favorable legislative environment. The resulting increases in crop yields, productivity, and income will contribute to private sector growth. Kazak water and energy specialists and policy makers will have implemented policies and practices aimed at improving regional cooperation over shared water and energy resources through the use of internationally-recognized agreements and standards.

## US Financing in Thousands of Dollars

Kazakhstan

115-0161 Energy and Water	DCA	FSA
<b>Through September 30, 2003</b>		
Obligations	0	5,140
Expenditures	0	2,306
Unliquidated	0	2,834
<b>Fiscal Year 2004</b>		
Obligations	754	1,425
Expenditures	0	2,336
<b>Through September 30, 2004</b>		
Obligations	754	6,565
Expenditures	0	4,642
Unliquidated	754	1,923
<b>Prior Year Unobligated Funds</b>		
Obligations	0	252
<b>Planned Fiscal Year 2005 NOA</b>		
Obligations	0	900
<b>Total Planned Fiscal Year 2005</b>		
Obligations	0	1,152
<b>Proposed Fiscal Year 2006 NOA</b>		
Obligations	0	872
Future Obligations	0	1,000
Est. Total Cost	754	9,589